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SUBJECT: STAFFDEL LUSE HEARS MFA'S VIEW OF ASIAN CHALLENGES

Classified By: Ambassador Patricia L. Herbold for Reasons 1.4(b)/(d)

¶1. (C) SUMMARY. Singapore MFA Second Permanent Secretary Bilahari Kausikan urged continued strong U.S. engagement in East Asia during a wide-ranging conversation with Staffdel Luse and the DCM on December 5. He urged the United States to focus on reviving its own economic growth while using tools like APEC to forestall protectionism. U.S. engagement in the Middle East and South Asia is increasingly important to East Asia as regional linkages multiply. All of East Asia looks to the United States to continue its sound management of the U.S.-China relationship. Despite worrisome political dynamics in some ASEAN countries, U.S. involvement remains essential for long-term regional development. Kausikan also said that Singapore would continue to engage the DPRK in support of a peaceful resolution of tensions on the Korean Peninsula. END SUMMARY.

U.S. Must Revive Economy, Resist Growth-Stifling Policies

¶2. (C) Ministry of Foreign Affairs Second Permanent Secretary Bilahari Kausikan, joined by MFA Northeast Asia Deputy Director Catherine Wong, told Senate Foreign Relations Committee Senior Professional Staff Member Keith Luse and the Deputy Chief of Mission on December 5 that the United States can best address the global economic crisis by quickly restoring its own economic growth while resisting protectionist moves. He said he does not believe the crisis represents a shift of economic power away from the United States, because neither Europe nor China can replace U.S. economic leadership. Kausikan urged that the 2009-2011 rotation of the APEC presidency from Singapore to Japan to the United States be treated as an opportunity for a coherent three-year agenda to strengthen trade links and dampen protectionist rhetoric. Negotiations to expand the Trans-Pacific Strategic Economic Partnership Agreement (TransPac) could serve the same purpose. Kausikan also warned that next year's Copenhagen climate change talks may generate policy proposals, such as increased fossil fuel taxes, that would threaten undesirable consequences during a time of economic crisis.

Middle Eastern, South Asian Security Threats to East Asia

¶3. (C) The greatest current threats to security in East Asia come from the Middle East and South Asia, Kausikan said. Traditional East Asian flashpoints, such as the Korean Peninsula and Taiwan, remain dangerous but appear stable. By contrast, India-Pakistan, Pakistan-Afghanistan, Bangladesh, Iran, and the Middle East in general present East Asia with security challenges that demand more concentrated U.S. involvement going forward. Pakistan in particular, though not a failed state, is "moving that way." Kausikan said that the interests of China and the United States converge in the

Middle East, with both countries desiring political stability and reliable energy supplies. However, no viable solution is possible there without U.S. leadership. Kausikan expressed concern that the world's expectations of the incoming U.S. Administration are unrealistically high and wondered whether the United States would be able to manage those expectations effectively.

East Asia Relies on U.S. to Get Along Well With China

¶4. (C) Kausikan characterized a constructive U.S.-China relationship as "the foundation of any achievement in East Asia." He said that relationship is fundamentally sound. Even so, China, along with the economy and the Middle East, will be among the issues requiring the most attention from the incoming U.S. Administration.

U.S. Should Focus on Building Regional Architecture

¶5. (C) Acknowledging that several ASEAN countries are experiencing turmoil, Kausikan argued that such difficulties highlight the importance of U.S. regional engagement in stability-enhancing multilateral frameworks. Only the Thais can sort out the political crisis in Thailand, and so far their efforts "don't inspire great confidence." Burma does not even seem to be interested in growth and development. The situation in Malaysia appears more stable than a few weeks ago, but Singapore's northern neighbor is "not out of the woods." Indonesia is heading into its own elections, which may tempt the GOI to make promises it cannot pay for at

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a time when the Indonesian rupiah is already under pressure. The U.S. strategic commitment to East Asia remains crucial, but Kausikan cautioned against viewing everything through the lens of security. He portrayed APEC and TransPac as opportunities both to enhance trade and to increase regional stability. APEC is flexible and can act as a basic framework while willing countries experiment with other mechanisms, such as TransPac, to see "how the other bits fit together."

Kausikan: "We'll Try and Do What We Can" on Korea

¶6. (C) Kausikan called the DPRK a "theocratic" state almost impossible to reform. A few years ago, Singapore noticed that DPRK visitors had begun to show greater interest in economic issues. Kausikan said he inferred that DPRK officials appreciate the need to change their system and are gathering relevant information but cannot figure out how to effect needed reforms. Singapore has provided technical assistance to try to increase the DPRK's economic management skills. Although the DPRK would continue to look to China and Vietnam as models for development, Singapore has established some trust based on straight talk, honest disagreements, and avoidance of threats. Kausikan traveled to the DPRK with Singapore's Foreign Minister last year and will visit there again in 2009. (Note: MFA Northeast Asia Deputy Director Catherine Wong said the visit would be in May.) When the DPRK enters the post-Kim era, it will likely do so under a military government, Kausikan predicted. This could be a positive scenario because military officials are likely to be well informed about the country's true strengths and weaknesses and thus able to make rational decisions. Meanwhile, given DPRK officials' obsession with face, they need continual reassurance to persuade them that they will be taken seriously without nuclear weapons. Kausikan expressed optimism about Korean prospects since the North "has to be part of the region," and he said that Singapore will continue to "try and do what we can on North Korea."

¶7. (U) Staffdel Luse cleared this message.

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